CHOICEREWARDS

*Choice*Rewards gives you the opportunity to select additional benefits at competitive prices. The program is completely voluntary and offers the convenience of payroll deduction.

*Choice*Rewards will be sending you more information about these services.

These are the services that are available to you through the *Choice*Rewards Program:

Auto Services:
- Automobile Insurance
- Auto Club

Home Services:
- Homeowners Insurance
- Mortgages
- Home Equity Loans

Financial Services:
- Pre-Paid Legal Services
- Mutual Funds
- Universal Life Insurance
- Salary Continuation
- Cancer Insurance

Personal Conveniences:
- Internet Access
- Pet Insurance

NEW CASH BALANCE PENSION PLAN

The new pension plan will go into effect on January 1, 1999.

The "cash balance" pension plan is a new concept that has two important advantages: it's *easier to understand* than the former plans, and it's totally *"portable."* Both these features support our goal of designing a benefits package that meets the needs of today's more independent, more mobile workforce.

BENEFIT EASIER TO UNDERSTAND

The way the new pension plan works is simple. Each year the company credits your individual pension account with a cash contribution equal to a percentage of your total pay, including overtime and bonus. Throughout your Conectiv career, your account grows through additional yearly company contributions, plus interest. When you retire, the current cash value of your account is yours.

Over the years, as you watch your pension account grow, you'll have a clearer idea of your own financial position. And you'll be better able to plan for your future.

PORTABILITY A PLUS

Today, people who work for a single company throughout their careers are in the minority. So being able to transfer accumulated pension credit from one employer to the next is an important plus.

With the new cash balance plan, if you leave Conectiv after you have completed five years of service and are vested, you can transfer your pension account either to your new employer's plan or to your own IRA. Taxes are deferred on the transfer, so your full account can continue growing for the rest of your working years.

COMPANY CONTRIBUTIONS AND INTEREST

Conectiv credits all the contributions to your cash balance pension account. These contributions are based on a percentage of your *total* pay, *including* overtime and bonuses. Contributions increase with age, as shown below.

Annual Company Pension Contributions

Age	Pension Credit (% of Pay)	Age	Pension Credit (% of Pay)
Under 30	5%	40 to 44	8%
30 to 34	6%	45 to 49	9%
35 to 39	7%	50 and over	10%

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Annual Transition Credits			
Service as of 1/1/99	Transition Credit (% of Pay)	Service as of 1/1/99	Transition Credit (% of Pay)
10 to 11 years	1%	16 to 19 years	3%
12 to 15 years	2%	20 years or more	4%

You are not required or permitted to contribute to the pension plan.

The company also credits your account with *interest* each year based on the current 30-year U.S. Treasury bond rate. This rate changes based on economic conditions. Currently, it is about 6%. Historically, it has averaged about 8%.

CONVERSION TO THE NEW PENSION PLAN

Benefits already earned under the former DPL and AE pension plans are *fully protected*, and will be converted to an equivalent cash amount as of the plan's effective date. This will form your "starting balance" under the new plan.

Your starting balance will, in essence, provide you with the lump sum amount you would need today to purchase a lifetime annuity equal to the benefit you've earned to date under your former pension plan. The conversion formula will take into account the value of any early retirement and survivor benefits which are part of the current plans.

Later this year, you'll receive a personalized pension statement showing your lump sum "starting balance" under the new plan.

TRANSITION CREDITS WITH TEN OR MORE YEARS' SERVICE

If you have completed between ten and 35 years of service with DPL or AE as of January 1, 1999 (the new plan's effective date), you will also be eligible for annual *transition credits*. This means the company will contribute an *additional* amount to your pension account *each year*. Your transition credit percentage depends on your completed service as of January 1, and remains constant until you have completed 35 years of service. At that point, transition credits stop.

For example, if you have completed 13 years of service as of January 1, 1999, the company will make an additional contribution of 2% of your total pay to your account *every year* until you complete 35 years of service.

"GRANDFATHER" PROTECTION FOR OLDER AND LONG SERVICE EMPLOYEES

Of course, many employees have already worked for most of their careers under the former "final pay" pension plans. For this reason, two groups of people will also continue to be covered by their former plans for the next ten years. They are employees who, as of January 1, 1999:

- have completed at least 20 years of service, or
- are age 50 or older.

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If a "grandfathered" employee retires within ten years after the new plan takes effect, his or her pension will be calculated under both the former and new plans, and the employee will receive whichever value is greater. At the end of the ten-year period, former plan benefits will be frozen.

PAYMENT OPTIONS AT RETIREMENT

The new pension plan also gives you a great deal of flexibility when you retire. You may take the full value of your pension in a single lump sum, which you may then roll over, tax deferred, into the investment vehicle you select. Or you may elect guaranteed lifetime monthly payments for yourself or you and your spouse (an "annuity").

SURVIVOR BENEFITS

The new pension plan provides another advantage in case of your death after you are vested but before retirement. Under the former plans, survivor benefits were payable only to a spouse, and then in an amount equal to about *half* of your accrued benefit. With the new plan, the *entire cash value* of your pension account would be paid to your beneficiary who, with your spouse's consent, can be anyone you name.

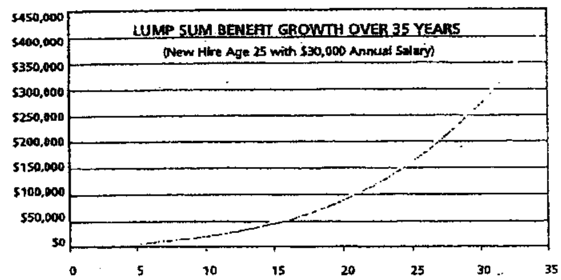
ANNUAL STATEMENTS

Each year, you'll receive a personal statement of your cash balance pension account which will show the company's contribution credits (basic amount plus any transition credits), interest credit and total balance, so you'll be able to watch the progress of your account over the years.

EXAMPLE

The graph below will give you an idea of how your cash balance pension account can grow over your career with Conectiv.

The example assumes that the employee is hired at age 25 with starting annual pay of $30,000; that pay grows at an average of 3% per year over the employee's 35 year career; and that the company credits the employee's account with annual



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New "Cash Balance" Pension Plan at a Glance	
Company Contributions	• Credited annually to your account based on a percentage of pay • Age-related percentage ranges from 5% to 10%
Interest	Credited each year based on the 30-year U.S. Treasury bond rate at the time
Conversion to New Plan	• Benefits accrued under DPL and AE pension plans to be converted to a cash equivalent starting balance under new plan • Starting balance also credited with interest annually (see above)
Transition Credits	With 10 to 35 years of service as of 1/1/99, you receive an additional annual company contribution of 1% to 4% of pay
Vesting	Upon completion of five years of service (including service with DPL and AE)
Portability	Totally portable; current value of your account is yours if you leave Conectiv after you are vested
Survivor's Benefit	Full current value of your account is paid to your spouse or beneficiary if you die while actively employed
Payment options at retirement	Lump sum cash option or several lifetime monthly payment options (annuities); cash option can be rolled over to an IRA to continue tax deferral

pension credits based on age and with average annual interest of 7%.

After 35 years, this employee would accumulate a pension account of $423,699. This could be taken, at the employee's option, either as a single cash amount, or as a guaranteed lifetime income of about $3,229 per month.

If the employee leaves the company at any time after becoming vested (that is, after five years of service), he or she can then transfer the account to a new employer's pension plan, if available, or to an IRA. In this example, the amount that could be transferred is $25,486 after ten years or $96,949 after 20 years. The employee's pension account could then continue growing, tax deferred, until the employee retires.

Maximum Limit on Benefits

The new plan also limits maximum benefits to no more than 650% of an individual's final five-year average pay (subject to further IRS limits on maximum benefits).

Post-Retirement Medical Coverage—Out-of-Pocket Features

	Indemnity Single	Indemnity Family	Point-of-Service
Annual deductible	$150	$300	None
Co-insurance	90–100%	90–100%	None
Annual out-of-pocket maximum	$750	$1,200	None

OTHER BENEFITS AFTER RETIREMENT

Medical Coverage

You will be eligible to participate in Conectiv's retiree medical plan if you retire at age 55 or older with 15 years of service. You and the company will share the cost of your medical coverage.

You may also retire between ages 50 and 55 with 15 years of service and still be eligible for company-sponsored coverage when you reach age 55. Between 50 and 55, you may either elect to participate in the company's medical plan by paying the full cost of coverage yourself, or provide evidence that you have coverage elsewhere (for example, through a spouse's plan). When you reach age 55, Conectiv will begin contributing toward your retiree coverage, but you will pay an additional 3% per year of the total premium for each year before age 55 that you retired.

At retirement, you'll have a choice of medical plans similar to what is available to active employees—an indemnity plan, a point-of-service plan, and an HMO (if available in your area). Prescription drug coverage will also be available.

Monthly contributions for retiree coverage will be similar to those for active employees. Ultimately, however, Conectiv will limit its annual contributions to $8,700 per retiree for pre-65 coverage and $1,400 for post-65 coverage. Retirees will pay any cost in excess of these limits.

Life Insurance

If you retire from Conectiv, you will also be eligible for life insurance benefits throughout retirement. After you retire, your life insurance benefits continue in a reduced amount.

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401(K) SAVINGS PLAN

The 401(k) plan, with its automatic, tax-deferred saving feature, company match and investment options, is an important part of the Conectiv retirement benefits package. Today, many employees are building a strong financial future for themselves by participating actively in the plan.

YOUR SAVINGS OPTIONS

You may contribute up to 15% of base pay on a before-tax basis and up to 15% on an after-tax basis, but not more than 20% of base pay in total. And you can change your savings rate as your need and ability to save changes.

COMPANY MATCH

The Company will match 50% *of the first* 6% of base pay that you save, in the form of Conectiv stock. Making the match in stock helps reinforce one of Conectiv's key goals for our Total Rewards Program—linking employees' interests with the Company's business success. In other words, the better we do financially, as reflected in Conectiv's stock price, the better you will do, too.

NEW INVESTMENT CHOICES

The new 401(k) plan will offer a broad range of investment choices. The Vanguard Group, one of the country's largest and most respected mutual fund companies, will be responsible for maintaining account records as well as managing most of the investment funds.

Investment options will include both fixed income and diversified equity funds. In addition, you will have the choice of investing your account in two "life strategy" funds that automatically apportion your account among several different funds according to your investment goals.

New 401(k) Investment Options	
Stock Funds	**Asset Allocation Funds**
• Vanguard Index Trust—500 Portfolio*	• Vanguard LifeStrategy Portfolio—Growth Portfolio
• T. Rowe Price International Stock	• Vanguard LifeStrategy—Moderate Growth Portfolio
• Baron Asset Fund	**Fixed Income Funds**
• Vanguard/PRIMECAP	• Vanguard Bond Index—Total Bond Market Portfolio
• Vanguard/Windsor II	• Vanguard Retirement Savings Trust
• Vanguard Growth and Income Portfolio	• Stable Value Fund (frozen for AE employees only; no new contributions permitted)

* "Standard and Poor's 500," "S&P 500®," "Standard & Poor's®," "S&P®," and "500" are trademarks of the McGraw Hill Companies, Inc.

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Later this spring, you will receive information about the new investment funds, including how your current account will be transferred to the new funds. Vanguard will automatically transfer your investment in current funds to comparable new funds, with no tax liability at transfer. You will then be free to make any investment changes you want.

OTHER PLAN FEATURES

You will continue to have access to portions of your account while you are actively employed through the loan and withdrawal features of the plan. As you know, to protect the tax-deferred advantages of the plan, federal tax law dictates the circumstances under which you can withdraw or borrow funds, so these features of the plan will not change.

401(k) Savings Plan at a Glance	
Your Savings	1% to 20% of base pay (up to 15% on a before-tax basis and up to 15% on an after-tax basis, but not more than 20% in total)
Company Match (made in the form of Conectiv stock)	50% of the first 6% of base pay you save
Investment Choices	A broad range of diversified investment choices will be available, along with frequent opportunities to change your investment mix
Transition	Current account to be transferred automatically to new investment options with similar risk and reward characteristics
Vesting	You are always fully vested in the current value of your account
Portability	Totally portable; your account is yours if you leave Conectiv
Survivor's Benefit	Current value of account paid to your beneficiary in case of your death
Benefit at Retirement	Current value of account can be rolled over into an IRA to continue tax deferral.

TOTAL CASH COMPENSATION

At Conectiv, you are assured of a competitive pay package that lets you share in Conectiv's financial success when we meet our annual goals.

BASE PAY

Conectiv has made sure that our *base pay levels are competitive* with what is being paid for similar jobs in general industry in the areas in which we operate. Conectiv management is closely involved in establishing your "competitive base opportunity"—that is, the potential base salary for your job over time, given sustained solid individual performance.

VARIABLE PAY

In addition, all employees who do not participate in the management or Business Group bonus plans will participate in Conectiv's *Variable Pay Opportunity.* Variable Pay helps all of us focus on Conectiv's key business goals, and gives you the chance to share in the Company's success when we achieve those goals.

Payouts Based on Achievement of Business Goals

Variable Pay can provide you with an annual bonus of between 1% and 3% of your base pay depending on how well we achieve Corporate and Business Group goals.

Here's a quick look at how Variable Pay works:

1) At the start of each year, Conectiv will set three levels of Corporate earnings goals. We must at least meet the minimum goal (or "trigger") in order to generate any plan bonuses at all. Greater achievements will result in a higher total bonus pool to be shared among participating employees.

2) To support achievement of the Corporate goal, Business Groups also set three or four measurable goals at the beginning of the year. Business Group goals are "weighted" to indicate the relative importance of each goal. (For example, Goal #1 might be worth 50%, while Goals #2 and #3 might be worth 25% each.) Total weightings equal 100%.

3) Throughout the year, you'll be kept informed about how well we are performing against our Business Group and Corporate goals.

4) Corporate results against goals will determine the amount of the total bonus pool—no payout if we do not meet the "trigger" or minimum goal, and a Corporate "earnings multiplier" of up to three if we achieve the maximum earnings goal.

5) Business Group results against goals are also determined. The Corporate earnings multiplier is applied to each to come up with the Variable Pay bonus for each individual in that Group.

EXAMPLE

Here's an example of how the calculation is done:

Corporate Earnings Goal ("Income Available for Common Stock")	Corporate Earnings Multiplier
Below $155 million	No payout
$155 to $181 million	1x
$181 to $189 million	2x
Over $189 million	3x

The appropriate Corporate earnings multiplier (0 to 3) is applied to the Business Group's goals. For example, if Corporate earnings are $195 million, the award calculation is as follows:

Business Group Goals	Results	Weight	Corporate Earnings Multiplier	Employee's Bonus (as % of base pay)
Goal #1	Achieved	50%	3	1.50%
Goal #2	Achieved	25%	3	.75%
Goal #3	Not achieved	25%	3	0%
Total				2.25%

All eligible employees in this unit would receive a Variable Pay bonus equal to 2.25% of pay—$900 for someone who earns $40,000.

Variable Pay bonuses can be paid in the form of either cash or stock, as you elect.

PAID TIME OFF

Your vacation, sick leave and disability income plans will continue unchanged until January 1, 1999.

HOLIDAYS

Beginning in 1999, Conectiv will observe 12 paid holidays each year. The precise split between fixed and floating days is still to be finalized. Here is an example of a possible outcome:

- New Year's Day
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving Day
- Day After Thanksgiving
- Christmas Eve
- Christmas Day
- plus four floating holidays to use as you choose.

VACATION

The annual paid vacation schedule is as follows:

After completing this length of service:	You are entitled to this paid vacation each year:
1 year	2 weeks
6 years	3 weeks
15 years	4 weeks
23 years	5 weeks
30 years	6 weeks

You are entitled to the full amount of vacation as of the beginning of the year in which a service anniversary falls. For example, if you will complete six years of service in October, you are eligible to use your three weeks' vacation at any time from the preceding January on.

SICK LEAVE AND DISABILITY

Your current sick leave and disability plans will continue through 1998. Details of the new plans have not been finalized. As soon as they are, we will give you the details.

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EDUCATIONAL ASSISTANCE

To encourage you to pursue higher education that is related to your career with Conectiv, the company will sponsor an Educational Assistance Plan.

The course or degree you choose must be:

- related to the business and to your career development plan;
- offered by an accredited institution (self-study, technical and electronic medium courses are included); and
- approved by your immediate manager.

If you successfully complete the course by earning a "C" or equivalent grade or better, the company will reimburse 80% of the cost of tuition, books, software and fees (100% if the course is required to maintain your current position).

Details of the Educational Assistance Plan can be obtained from your manager or the HRSC.

This plan will become effective on July 1, 1998, for first-time users, and on January 1, 1999, for those currently enrolled in classwork.

This decision kit covers only the highlights of your Conectiv Total Rewards Program. While we have tried to be as accurate as possible in developing this kit, the official plan documents govern in all cases.

Conectiv intends to continue these plans but reserves the right to change or end them at any time. Participation in these plans does not imply a contract of employment.

Got Questions About Total Rewards? Need Help?

Call the Conectiv Human Resource Service Center—HRSC

Getting prompt, confidential answers to your Total Rewards questions is as easy as dialing 1-800-201-4713.

Hours for HRSC are 7:30 a.m. to 5:30 p.m., Monday through Friday.

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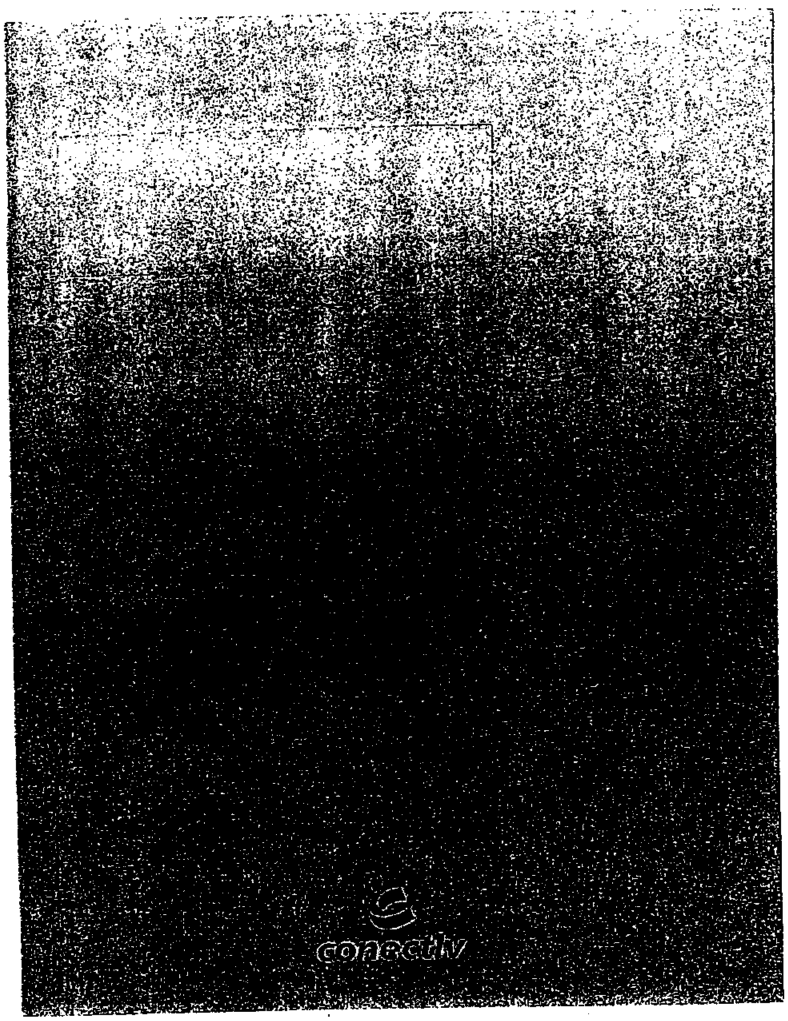
conectiv

Pepco Holdings, Inc

People Strategy & HR
Benefits

Pepco Holdings, Inc. Retirement Plan
PHI Sub-Plan

Summary Plan Description

EXHIBIT
PENGAD 800-631-6989
P-53
8/27/07

Table of Contents

INTRODUCTION

This booklet briefly describes the Pepco Holdings, Inc. Retirement Plan – PHI Sub-Plan, a defined benefit pension plan for Management, certain designated subsidiaries and Local 1900 employees hired January 1, 2005 or later. The Plan is one part of the retirement benefits offered by PHI and is designed to help provide you with a solid foundation of income after you retire. When you add this income to your Retirement Savings Plan (401k), Social Security and personal savings, you will have a sound program to provide financial security for your retirement.

This summary of your retirement benefits describes the Plan in non-technical, easy-to-understand language. It explains what your benefits are, as well as your rights and responsibilities under the Plan. For the sake of clarity, some legal terms have been translated to everyday language, and some technical details have been left out. In case of a conflict between the information in this booklet and the formal Plan document, the formal Plan document will control.

The Plan is administered by Vanguard. If you would like more specific information than this booklet provides, or if you would like to inspect the Plan document, feel free to contact Vanguard on 800-523-1188 or PHI Benefits. Copies of the document are available for a reasonable charge.

HIGHLIGHTS OF THE PLAN

Below is a summary of your benefits. Be sure to read the following pages for a more detailed description of the Plan. If you have questions, feel free to contact Vanguard on 1-800-523-1188 or PHI Benefits.

		For Details, see
Eligibility	Participation (Benefit Service) begins on the first day of the month coincident with or next following employment or the first of the month following your 21st birthday, whichever occurs later.	ELIGIBILITY
Cost	The Company pays the full cost of this benefit	PLAN COST
Retirement Age	Normal retirement age is the later of age 65 or 5 years after you become a plan member	WHEN YOU MAY RETIRE
Early Retirement	You may retire as early as age 55 if you have been a Plan member for 10 years or more	WHEN YOU MAY RETIRE
Deferred Retirement	You may continue to work to build your retirement benefit past age 65	WHEN YOU MAY RETIRE
Benefit Payments	Monthly payments for life, based on your years of participation and on your compensation	NORMAL RETIREMENT BENEFIT
	You may arrange for payments to your spouse or another joint annuitant after your death	FORMS OF RETIREMENT BENEFITS
	In certain circumstances you may be eligible for a lump sum benefit	LUMP SUM BENEFITS
Vesting	Vesting Service begins on the first day of the month coincident with or next following employment or the first of the month following your 18th birthday, whichever occurs later. You are vested--entitled to an age 65 benefit--after five years of service, even if you leave the Company before retirement	VESTING

ELIGIBILITY AND ENROLLMENT

Full-Time Employees

You are eligible to participate in the Plan if:

- You are a full-time employee of the Company
- You are at least 21 years old for Benefit Service
- You are at least 18 years old for Vesting Service

Participation in the PHI Sub Plan will begin on the first day of the month coincident with or next following the later of your date of employment or your 21st birthday. For example, if you came to work for the Company at age 23 in April, 2005, your participation date in the Plan is May 1, 2005.

Using the above example, if you came to work for the Company at age 19 in April, 2005, and your 21st birthday is February 10, 2007 your participation date in the Plan is March 1, 2007.

Full-time temporary employees also are eligible, subject to the same requirements as other employees.

Part Time Employees

You are considered a "part time employee" if you work for the Company less than a normal workday or a normal workweek, on a regular basis. However, unlike a full-time employee, you must be at least 21 years old and have completed one year of service to be eligible for membership in the Plan. For eligibility purposes, you will be credited with one year of service during any calendar year in which you work 1,000 hours or during your first 12 consecutive months of employment, if you work 1,000 hours during that period.

PLAN COST

The Company pays the entire cost of this Plan, including administrative expenses. There are no deductions from your pay or contributions that you must make.

Contributions made to the Plan by the Company are deposited in a Trust Fund held and managed by a Trustee. This money and the income it earns through investments are used to operate the Plan and to pay benefits. You are not taxed on the Company's contributions to the Plan until you receive retirement benefits.

HOW YOUR SERVICE COUNTS TOWARD YOUR RETIREMENT BENEFIT

Your service with the Company affects your retirement benefit in several ways.

- Your **Vesting Service** determines when you will have a nonforfeitable right to a retirement benefit. Once you have five years of Vesting Service, you will have a right to a benefit from this Plan-even if you leave the Company before you retire. If you retire early, your Vesting Service also will be used to determine whether you are entitled to unreduced benefits.

- Your **Benefit Service** helps determine how much you will receive each month after you retire. It also determines your eligibility for early retirement. You may earn up to a maximum of 30 Years of Benefit Service.

  In general, your Vesting Service includes the entire period of your employment with the Company, starting with your first day of work. Your Benefit Service may be shorter than your Vesting Service, depending on your age at date of hire and whether you have a break-in- service. The table below shows how certain periods when you may be away from work will affect your Service.

How Absences from Work Affect Your Service

For absence due to:	Vesting Service	Benefit Service
Period of Authorized Leave, provided you return to work at the end of the authorized time	yes	yes
Military Service, provided you return to the Company while your re-employment rights are protected by law and remain with the Company for one more year	yes	yes
Disability, See "If You Become Disabled"	yes	yes
Absence of 12 Months or Less For Any Other Reason, See "If Your Service Is Interrupted"	yes	no

This has been a **general** explanation of Benefit Service and Vesting Service. Some details have been omitted. If you would like to determine your specific years of service, contact Vanguard on 1-800-523-1188.

Part Time Employees

Special service rules apply to part time employees. As a part time employee, you must work at least 1,000 hours in a calendar year to receive one year of Vesting Service.

Benefit Service is calculated differently. If you work at least 1,000 hours, but fewer than 2,080 hours, your benefit service will be a fraction of a "benefit year." The fraction will be the number of hours you actually worked, divided by 2,080. If you worked 1,040 hours in 2005, for example, you received half a Year of Benefit Service for 2005.

WHEN YOU MAY RETIRE

Your retirement benefits begin on the retirement date you choose, and they continue for the rest of your life. There are several options outlined below:

TYPE OF RETIREMENT	QUALIFICATIONS
NORMAL RETIREMENT	**Full** monthly pension can begin if you: • are age 65 or over, **AND** • have 5 or more years of service.
EARLY RETIREMENTS:	
AGE 55/10 YEARS	**55/10: Reduced** monthly pension can begin, if you: • are between ages 55 and 65, **AND** • have at least 10 years of Benefit Service.
AGE 62/20 YEARS	**62/20: Full** monthly pension can begin if you. • are age 62 or over, **AND** • have at least 20 years of Vesting Service.
TERMINATED-VESTED (If you leave the Company for any reason other than death, have a vested benefit and do not meet the requirements listed above)	• **Full** monthly pension can begin at age 65. • **Reduced** monthly pension can begin as early as age 55 and will be subject to significant actuarial reduction

Normal Retirement

Your Normal Retirement Date is the first day of the month that follows your 65th birthday or the fifth anniversary of the day you became a Plan member,

whichever is later. Benefits become payable starting on your Normal Retirement Date.

Early Retirement

You may retire as early as age 55 and receive a benefit from the Plan, provided you have completed at least 10 Years of Benefit Service. (Remember, your Benefit Service may be shorter than your Vesting Service depending on your age at date of hire and whether you have a break-in-service.) You may retire on the first of any month after you become eligible for early retirement.

Monthly payments can begin immediately or they can be deferred. If you defer payment until age 65, you will receive your full benefit as determined by the benefit formula. If you have your payments begin immediately, they may be reduced.

Deferred Retirement

If you continue to work after your Normal Retirement Date, your benefit payments will not begin until you actually retire. Salary increases and the additional service (up to 30 years) you earn after your Normal Retirement Date may increase the benefit you receive at retirement.

NORMAL RETIREMENT BENEFIT

Benefit Formula

When you retire, terminate your employment, or die, the Company will use the following formula to calculate your age-65 monthly payment (if any):

Step 1. 1.3% (.013) of your Final Average Earnings
times
your Years of Benefit Service (up to 30 years)
Step 2. Divide the result by 12

This formula will determine your monthly retirement benefit.

The amount will be reduced if you retire early (less than age 65 or between age 55 and 62 with less than 20 years of Vesting Service) or if you choose to provide continued benefit payments to your spouse or other joint annuitant after your death. These adjustments are described later in this Summary Plan Description.

The maximum amount you can receive from the Plan is limited by governmental regulation. The Company will notify you if you are affected by this limit when your benefit is determined.

Factors That Affect Your Benefit

Your benefit formula is based on several factors:

- Your Final Average Earnings
- Your Years of Benefit Service

Your Benefit Service was described on page 7. Let's look at the other factor.

Your Final Average Earnings are based on your base monthly earnings for your final 60 months of Vesting Service. They do not include any month during which you were absent due to disability or leave of absence. To calculate final average earnings, find the total of your base compensation for those 60 months and divide by five (years).

When you calculate your Final Average Earnings, include only your base compensation. Do not include overtime, premium payments, bonuses, or other special pay. Also, the federal government limits the amount that can be counted as compensation under the Plan. When you elect to retire, you will be notified if this affects you.

If you have less than 60 months of earnings, Final Average Earnings are determined based upon the number of whole calendar months available. Only earnings after the date an Affiliate has joined the Plan are included in calculating Final Average Earnings.

An Example of a Normal Retirement Benefit

Let's look at an example of a Normal Retirement benefit. (For simplicity, round numbers have been used in the examples in this booklet. When your benefit is calculated, however, partial years of service will be included.)

Let's assume that Fred came to work for the Company in 2005 at age 35, and he will retire in 2035 at age 65 with:

- 30 years of Vesting Service
- 30 years of Benefit Service
- Final Average Earnings of $65,000

Fred's normal retirement benefit will be

Step 1.	.013 x $65,000 x 30 years =	$25,350.00
Step 2.	$25,350.00 divided by 12 =	$ 2,112.50

In this example, Fred will receive $ 2,112.50 a month, starting at age 65 and ending in the month of his death. The amount will be reduced if he chooses for a portion of his benefit to continue to his wife or another person after his death (see "Forms of Retirement Benefits").

EARLY RETIREMENT

You may retire from the Company on the first of any month after you reach age 55, provided you have at least ten years of Benefit Service. Normally, an early retirement benefit will begin on the first of the month after you retire. However, you may choose to have your payments begin at a later date-on the first of any month between your retirement and your 65th birthday.

To calculate your early retirement benefit, follow these steps.

1. Determine your normal retirement benefit, following the steps shown earlier. (see "Benefit Formula", page 9).

2. Apply the reduction factor (if any). The factor applies only if you have your payments begin before your normal retirement date (age 65) and you are 1) less than 65 years old and have at least 10 years of Benefit Service or 2) you are between age 55 and age 62 and have 20 years of Vesting Service. The amount of the reduction is 1/4 of 1% times the number of full months that Plan benefits are paid before your normal retirement date. This comes to 3% a year, as follows:

In the two tables below, you can see how the reduction factors impact your benefit. The tables reflect full year reductions. The actual reductions will be calculated using the number of full months prior to your normal or unreduced retirement date.

- In the first table, you can see the reduction applied if you have at least 10 years of Benefit Service but are not yet 65 years old.
- The second table reflects the impact of a special rule that allows you to retire without a reduction if you are age 62 with at least 20 years of Vesting Service. Thus, if you have at least 20 years of Vesting Service but retire before age 62, the reductions are calculated from age 62 rather than age 65. The reductions are still 3% per year.

Reduction Table:

If you are less than age 65 with 10 years of Benefit Service

If Your First Pension Payment Begins at Age...	You Will Receive This Percentage Of Your Pension
55	70.0%
56	73.0%
57	76.0%
58	79.0%
59	82.0%
60	85.0%
61	88.0%
62	91.0%
63	94.0%
64	97.0%
65	100%

If you are age 55 but less than 62 with at least 20 years of Vesting Service

If Your First Pension Payment Begins at Age...	You Will Receive This Percentage Of Your Pension
55	79.0%
56	82.0%
57	85.0%
58	88.0%
59	91.0%
60	94.0%
61	97.0%
62	100%

Examples of Reduced Early Retirement Benefits

1. Age Less Than 65 with 10 or more years of Benefit Service but less than 20 Years of Vesting Service

Let's assume that Kim retires in 2025 at age 63 with 10 years of Vesting Service, 10 Years of Benefit Service, and Final Average Earnings of $65,000. If payments begin at age 63, they will be reduced 6% (see step 3 below). Kim's

early retirement benefit will be:

Step 1.	.013 x $65,000 x 10 years =	$8,450.00
Step 2.	$8,450.00 divided by 12 =	$ 704.17
Step 3.	$704.17 x .94 =	$ 661.92

2. Age 55 but less than 62 with 20 Years of Vesting Service

Let's assume that Kathy retires in 2025 at age 55 with 20 years of Vesting Service, 19 Years of Benefit Service, and Final Average Earnings of $65,000. If her payments begin at age 55, they will be reduced 21% (see step 3 below). Kathy's early retirement benefit will be:

Step 1.	.013 x $65,000 x 20 years =	$16,055.00
Step 2.	$16,900.00 divided by 12 =	$ 1,337.92
Step 3.	$1,408.33 x .79 =	$ 1,056.96

Example of a Retirement Benefit limited by Age and Service Provisions

Let's assume that James came to work for the Company in 2005 at age 20, and retires in 2040 at age 55 with:

- 35 years of Vesting Service
- 30 years of Benefit Service (James entered the Plan on his 21st Birthday and cannot earn more than 30 years Benefit Service)
- Final Average Earnings of $65,000

James' deferred retirement benefit will be:

Step 1.	.013 x $65,000 x 30 years =	$25,350.00
Step 2.	$25,350.00 divided by 12 =	$ 2,112.50
Step 3.	$2,112.50 x .79	$1,668.88

In this example, James will receive $1,668.88 per month until his death. This amount will be reduced if he chooses for a portion of his benefit to continue to his wife or another person after his death (see "<u>Forms of Retirement Benefit</u>").

DEFERRED RETIREMENT

You may postpone your retirement past age 65 and retire at a later time. Your Deferred Retirement benefit will be determined under the same benefit formula as your Normal Retirement benefit. However, your Deferred Retirement benefit will be adjusted to take into account your additional compensation and service (up to the limit of 30 years), if applicable, calculated as of your Deferred Retirement Date.

Your Deferred Retirement Date cannot be later than April 1 following the later of 1) the calendar year in which you reach 70-1/2 or 2) the calendar year in which you retire.

FORMS OF RETIREMENT BENEFITS

You have a choice of several different ways to receive your retirement benefit. Each way includes monthly payments to you during your lifetime. Under the different options, you may choose to have payments continue after your death to your spouse or, in certain cases, another beneficiary.

Life Income Only Annuity

You will receive equal monthly payments for your lifetime. After your death, payments stop. No further benefits are paid to any survivor. If you are not married (or have been married less than one year) when you retire, and if you do not choose another form of payment, your benefits will be paid in this form automatically.

Automatic Joint and Surviving Spouse Annuity

If you have been married at least one year when you retire, you must choose this option, unless your spouse consents, in writing, to some other form of payment. The written consent must be either notarized or witnessed by an authorized employee of the Company.

Under this option, you will receive monthly payments for life. After your death, 50% of your monthly benefit will continue to your spouse for his or her lifetime.

Under the Joint and Surviving Spouse Annuity, the monthly payments you receive during your lifetime are smaller than they would be under a Life Income Only Annuity, to account for the possibility that payments may continue beyond your death. The amount of reduction in your benefit depends on your age and the age of your spouse.

If your spouse dies within 36 months after your retirement date, Plan payments under the Automatic Joint and Surviving Spouse Annuity will be cancelled, and

beginning on the first of the month following your spouse's death, you will receive your Plan benefits in the Life Annuity form described above. If your spouse dies more than 36 months after your retirement date, you will continue to receive your reduced benefits for life.

For example, John retires in March, 2025. If he elects a Life Income Only Annuity he would receive $1,350 per month. Instead, John elects an Automatic Joint and Surviving Spouse Annuity which will provide him with a monthly benefit of $1,217.57 for the rest of his life and a spousal benefit of $608.79 upon his death. If John's spouse dies within the first 36 months after his retirement, John's benefit will increase from $1,217.57 to $1,350 effective the first of the month following his spouse's death. If John's spouse dies more than 36 months after his retirement, but prior to John's death, John's monthly benefit will continue to be $1,217.57.

In no event will a spouse other than the spouse to whom you are married on your retirement date be eligible to receive benefits under this annuity option. For example, Bill retires in 2045 and designates Mary, his wife, as his joint annuitant. Mary dies in 2049 and Bill marries Sue in 2050. Bill dies in 2051. Sue is not eligible for a benefit since she was not Bill's spouse (and designated joint annuitant) on his retirement date.

Optional Joint and Survivor Annuity

This option is similar to the Automatic Joint and Surviving Spouse option, with two differences. First, you may name someone other than your spouse (with your spouse's written permission) to receive payments after your death. Second, you may choose 25%, 50%, 75% or 100% as the percentage of your monthly payment that is to continue after your death. For example, you could choose a 25% Joint and Survivor Annuity, with your brother as joint annuitant. You would receive reduced monthly payments for life. After your death, your brother (if still alive) would receive monthly payments for life, equal to 25% of the amount you were receiving.

Your payments under this option will be smaller than under a Life Annuity to reflect the cost of providing payments after your death. The larger the payments to be made after your death, the smaller your payments will be during your lifetime.

As with the Automatic Joint and Surviving Spouse Annuity, if your joint annuitant dies within 36 months after your retirement date, Plan payments under the Optional Joint and Survivor Annuity will be cancelled, and beginning on the first of the month following your joint annuitant's death, you will receive your Plan benefits in the Life Annuity form described above. If your joint annuitant dies more than 36 months after your retirement date, you will continue to receive reduced benefits for life.

Also, only the person designated as your joint annuitant at the time you retire is eligible for benefit payments after your death under this annuity option.

Lump Sum Payout

Under certain limited circumstances you may receive a Lump Sum Payout of your retirement benefit. There are rules concerning this type of benefit. You will be informed by Vanguard if they apply to you. Generally, there are three circumstances that trigger the Lump Sum Payout, one occurs automatically and the others are options that you can elect:

- If the actuarial value of your pension reflected in today's dollars (present value) is less than $1,000, you will automatically receive a Lump Sum Payout.

- If the actuarial value of your pension reflected in today's dollars (present value) is more than $1,000 but less than $5,000 you will have the option to receive a Lump Sum Payout or to roll your benefit into another tax-deferred investment. If you fail to select an option (roll-over or pay-out), your benefit will automatically be rolled into a Vanguard IRA.

- If the actuarial value of your pension reflected in today's dollars (present value) is $5,000 or more but less than $20,000, you will be offered the Lump-Sum Payment option.

If you receive a Lump-Sum Distribution, no future pension benefits will be paid to you, a spouse or any other beneficiary. The IRS requires the Company to automatically withhold 20% for federal taxes of any Lump-Sum Payment paid directly to you. You can postpone taxes, if your pay out is directly transferred to an IRA or other qualified plan. Talk to a tax professional before receiving your Lump-Sum Payment.

Choosing a Payment Method

Many factors influence your benefit, so please be sure to contact Vanguard on 800-523-1188 to discuss your retirement and what it will mean to you.

Before you retire, you should contact Vanguard. They will explain the different forms of payment and the effect each option would have upon your retirement benefit amount. They also will describe the time limits within which you may make a choice or change it.

After you receive the notice, you may make a choice, or change it, at any time before your payments begin (subject, if you are married, to your spouse's written consent). **Once your payments have begun, you may not change your form**